

Leaving State or County Employment?



Hybrid Plan



Employees' Retirement System

of the State of Hawaii

Frequently asked retirement questions for those leaving State or County employment

Hybrid Plan

1. How do I know what retirement plan I am enrolled in?

The Employees' Retirement System (ERS) is comprised of three retirement plans: Contributory, Hybrid, and Noncontributory. Your occupation and the date you became an ERS member determined what plan you are enrolled in.

Contributory and Hybrid Plan members are required by law to have retirement contributions deducted from their monthly gross salary, while Noncontributory Plan members are not.

Most employees hired from July 1, 2006, are Hybrid Plan members. Hybrid Plan members also include employees hired before July 1, 2006, who made the choice to transfer to the Hybrid Plan from the Noncontributory or the Contributory Plan. If you are a Hybrid Plan member, your pay statement will show a retirement contribution deduction of either 6% (most employees), or 9.75% (sewer workers, water safety officers, and emergency medical technicians).

2. What are the minimum requirements for service retirement?

- If you have a combined total of 5 or more years of credited Hybrid and Noncontributory service, you can retire at age 62 with full benefits.
- If you have a combined total of 30 or more years of credited Hybrid and Noncontributory service, you can retire at age 55 with full benefits.
- If you have a combined total of 20 but less than 30 years of credited Hybrid and Noncontributory service **AND** you are at least 55 years of age, you can retire before age 62 with a reduced benefit. The reduction factor is 5% for each year you are below age 62.
- If you have at least 25 years of credited service as a sewer worker, water safety officer, or an emergency medical technician **AND** your last five years of credited service prior to retirement are in any of these occupations, you can retire before age 55 with full benefits.

In addition, you must retire on the 1st day of a month (except for December, during which you can retire either on the 1st or 31st). Your "close of business" (COB) date must be before your retirement date.

Please contact an ERS office if you are eligible to retire. We must receive your retirement application at least 30 days before your retirement date. We can accept your retirement application up to 150 days before your retirement date.

3. Am I entitled to any retirement benefits when I leave my job?

If you have 5 or more years of credited service:

- You have "vested benefit status" and WILL BE eligible for a retirement benefit when you meet the age requirement. Refer to Question #2 to determine when you can retire. You may contact an ERS office to request a retirement estimate 6 months before you want to retire.
- If you leave your contributions with the ERS and return to a State or County job covered by ERS before you retire, you will continue to earn retirement service credit.
- If you receive a refund of your contributions, you will lose (forfeit) all of your credited service and you will NOT be eligible for a retirement benefit. Your refund will consist of all of your contributions and interest. You will also receive an additional 50% of your Hybrid Plan contributions and interest (excluding any contributions you made to upgrade or purchase Hybrid service). If you return to a State or County job covered by ERS, you will begin as if entering service for the first time.

If you have less than 5 years of credited service:

- You are NOT eligible for a retirement benefit.
- If you do not receive a refund of your contributions AND you return to a State or County job covered by ERS within 4 calendar years after the year you leave employment, you will retain all of your service credits and your original membership date. If you return to a State or County job covered by ERS after 4 calendar years and you are enrolled in the Hybrid Plan, you will retain all of your service credits, but you will have a new membership date.
- If you receive a refund of your contributions and interest, you will lose (forfeit) all of your credited service. If you return to a State or County job covered by ERS, you will begin as if entering service for the first time.
- If you do not request a refund of your contributions after you leave your job AND you do not return to a State or County job covered by ERS, the ERS will refund your contributions and interest after you attain age 62.

You do not have to make a decision on your refund now. You can request a refund at any time. However, once a refund is processed, all of your credited service will be forfeited. Forfeited Hybrid service cannot be acquired for a future retirement benefit.

Regardless of the years of service you had when you left your job, unless you are required by law to join the Contributory Plan based on your occupation (police officer, firefighter, elected officer, judge, etc.), you will be enrolled in the **Hybrid Plan** when you return to work.

In most cases, if you move from one State or County job covered by ERS to another without a working day break in service, you will continue your membership in the Hybrid Plan. Be sure to inform your new personnel office of your transfer.

Your personnel office will also be able to tell you if your new job is covered by ERS.

4. What is credited service?

Credited service is the length of time you work for the State or County while a member of the ERS. It includes regular membership service and authorized leaves such as industrial injury, sabbatical, educational, and professional improvement for which contributions, if required, are made. If you are employed for 15 or more calendar days in any month (14 calendar days in February), you will receive one month of service credit. Mandatory unpaid maternity leave prior to July 1, 1973, previous service and active military duty may also be acquired for additional service credit.

You should file your claim with the ERS for any additional service you wish to acquire before you leave your State or County job. If you fail to file your claim before you leave your State or County job, check with the ERS immediately to find out if you are still eligible to claim the additional service.

5. How will my monthly pension be computed?

Formula: $2\% \times \text{Years of Service} \times \text{Average Monthly Salary}^$*

**Average Monthly Salary is the monthly salary based on your "average final compensation" (AFC). Your AFC is the average of your earnings for your three highest paid years of credited service (or for some members five highest paid years, see Question #9) as a State or County employee.*

Example: $2\% \times 30 \text{ years} \times \$3,000 = \$1,800/\text{month}$ (Maximum Allowance)

This is an example of a monthly pension benefit payable under the Maximum Allowance option. Other retirement options are available to meet a range of retirement needs and goals.

6. How will my monthly pension be computed if I take early retirement?

As noted in Question #2, you can retire with a reduced benefit at age 55 if you have at least 20 but less than 30 years of credited service. Your pension will be reduced by 5% for each year you are below age 62.

Example: Member retiring at age 55 with 20 years of service

Benefit formula: $2\% \times 20 \text{ years} \times \$3,000$	= \$ 1,200/month
Less reduction for age: 7 years $\times 5\% = 35\% \times \$1,200$	= - \$ 420
Early retirement benefit (Maximum Allowance)	= \$ 780/month

7. How will my monthly pension be computed if I have mixed service?

Formula:

$$\begin{aligned} &2\% \times \text{Years of Hybrid Service} \times \text{Average Monthly Salary} \\ &\text{plus} \\ &1\frac{1}{4}\% \times \text{Years of Noncontributory Service} \times \text{Average Monthly Salary} \end{aligned}$$

Example: Jim has 4 years of Hybrid Plan service and 8 years of Noncontributory Plan service. When he reaches his 62nd birthday, he can retire with a monthly pension payable under the Maximum Allowance option as shown below:

Benefit	X	Years of Service	X	Average Monthly Salary	=	Monthly Pension
2% (Hybrid)	X	4 years	X	\$3,000	=	\$240
1¼% (Noncontributory)	X	8 years	X	\$3,000	=	\$300
MAXIMUM ALLOWANCE						= \$540

8. What will happen to my unused sick leave?

Unused sick leave will be used to increase your retirement benefit if you have at least 60 days of unused sick leave and you leave government service in good standing. However, unused sick leave cannot be used to meet the minimum retirement eligibility requirements. Every 20 days of unused sick leave is equal to one month of service credit. Your personnel/payroll office will determine your unused sick leave balance.

$$\begin{aligned} 60 \text{ days} \div 20 \text{ days} &= 3 \text{ months of additional service credit} \\ 240 \text{ days} \div 20 \text{ days} &= 12 \text{ months (1 year)} \\ 70 \text{ days} \div 20 \text{ days} &= 4 \text{ months (rounded from 3.5 months)} \end{aligned}$$

Example: Wes has 4 years and 9 months of credited service and 3 months of unused sick leave. The 3 months of unused sick leave cannot be used to meet the 5-year minimum service requirement.

If Wes has at least 5 years of credited service when he retires, the 3 months of unused sick leave will be used to increase his credited service for the purpose of calculating his monthly retirement benefit.

If you have unused sick leave earned under both the Hybrid and Noncontributory Plans, your unused sick leave will be allocated between the two plans. A split benefit formula will be used on a first in/first out

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basis. As you used your sick leave, the sick leave earned under the Noncontributory Plan was used up first. The 2% benefit formula will be used for sick leave earned while in the Hybrid Plan and 1¹/₄% will be used for sick leave earned while in the Noncontributory Plan.

9. What about my lump sum vacation payment?

Your lump sum vacation payment is determined by your personnel/payroll office. It will not increase your retirement service credits. If you were hired prior to January 1, 1971, your AFC will be the average of your five highest years of earnings including your lump sum vacation pay, or your three highest years of earnings, whichever is greater. If you were hired after December 31, 1970, your highest three years of earnings will be used in the calculation of your AFC; your lump sum vacation payment will not be included.

10. What taxes do I have to pay if I take a refund of my contributions?

- Federal income taxes are due on the taxable portion of your refund payment. If you are below age 55 (age 50 for emergency medical technicians), an additional 10% tax on the taxable portion of your refund must be paid to the Internal Revenue Service. However, you can defer these taxes by rolling over the taxable portion of your refund into an IRA.
 - o Direct Rollover: ERS will deposit the taxable portion of your refund directly into your IRA and pay you your nontaxable contributions. The ERS is not able to rollover the nontaxable portion of your refund. If you select this method of payment, no federal income taxes will be withheld.
 - o Sixty-Day Rollover: ERS will withhold at least 20% of the taxable portion of your refund and pay you the remaining balance. Under this option, you must rollover all or part of the taxable portion of your contributions into an IRA within 60 days of receipt of your payment.
- Your refund payment is not subject to State of Hawaii income tax.

You should consult a financial advisor or tax specialist regarding the rollover of the taxable as well as the nontaxable portion of your refund.

11. Are death benefits payable after I leave my job?

If you have less than 5 years of credited service at the time of your death, your designated beneficiary(ies) will receive the total amount of your retirement contributions, including interest.

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If you have five or more years of credited service at the time of your death, your designated beneficiary(ies) will receive all of your contributions and interest. An additional 50% of your Hybrid Plan contributions and interest (excluding any contributions you made to upgrade or purchase Hybrid service) will also be payable.

12. What if I come back to work after I retire?

In most cases, if you are an ERS retiree who returns to work in a position covered by ERS, you will be re-enrolled in the same retirement plan from which you retired and your pension will be suspended until your next retirement. You will earn additional service credits and a separate retirement benefit will be calculated for your re-employment period. When you again retire, you will receive an allowance for your re-employment period in addition to your previous pension.

You can continue to receive your ERS pension and retiree health benefits:

- Under certain circumstances, if you return to a position not covered by ERS; or
- If you return to work under the provisions of Act 156/SLH 2008.

Your personnel office will be able to tell you if your new job will be covered by ERS.

Additional Questions? Call or write to us at the Oahu office listed on the back cover or any of the following other ERS locations listed below. You can also check our website at www4.hawaii.gov/ers for additional information.

Hawaii

101 Aupuni Street, Room 208

Hilo, Hawaii 96720

Phone: 974-4076, 974-4077

Fax: 974-4078

Toll-free to Oahu: 974-4000, ext.61735

Kauai

3060 Eiwa Street, Room 302

Lihue, Hawaii 96766

Phone: 274-3010, 274-3011

Fax: 241-3193

Toll-free to Oahu: 274-3141, ext. 61735

Maui

State Office Building, Room 218

54 S. High Street

Wailuku, Hawaii 96793

Phone: 984-8181, 984-8282

Fax: 984-8183

Toll-free to Oahu: 984-2400, ext.61735

Molokai/Lanai

Toll-free to Oahu: 1-800-468-4644, ext. 61735

U.S. Mainland

Toll-free to Oahu: 1-888-659-0708



Employees' Retirement System
of the State of Hawaii



Employees' Retirement System
City Financial Tower
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813-2980
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Website: www4.hawaii.gov/ers

This handout offers general information about pre-retirement issues. This is not a contract and does not amend, modify, override, or nullify any statute, rule, policy, procedure or document used in the retirement process. The rights and benefits that you are entitled to receive are governed by rules and statutes which may change.